

**ALBERTA SECURITIES COMMISSION  
NOTICE**

**Blanket Order #45-507 Offerings by CDNX Short Form Offering Document**

April 30, 2002

Today, the Commission issued Blanket Order #45-507 *Offerings by CDNX Short Form Offering Document* ("Blanket Order 45-507"). The Commission has also revoked Blanket Order #45-503 *Offerings by CDNX Short Form Offering Document* ("Blanket Order 45-503") effective today.

**Summary of Significant Changes**

Blanket Order 45-507

- (a) removes the concept of "Designated Threshold Purchaser" that existed in Blanket Order 45-503; and
- (b) increases the threshold amount to \$40,000.

The effect of these changes is that, under Alberta securities law, any purchaser may purchase securities under a Short Form Offering Document ("SFOD"). Generally, a purchaser, other than a Designated Hold Purchaser (ie. an insider or member of the Professional Group), who subscribes for up to \$40,000 of securities under a SFOD will obtain securities free of resale restrictions. However, securities purchased in excess of the \$40,000 limit are subject to resale restrictions. The resale restrictions are imposed on purchases over \$40,000 to encourage a broad distribution. All securities purchased by Designated Hold Purchasers continue to be subject to resale restrictions. The resale restrictions are imposed on Designated Hold Purchasers to encourage public retail participation.

**(a) Removal of Designated Threshold Purchaser Concept**

The term Designated Threshold Purchaser in Blanket Order 45-503 referred to persons or companies that could purchase securities under other prospectus exemptions. With the introduction of Multilateral Instrument 45-103 *Capital Raising Exemptions* ("MI 45-103") the group of persons and companies that can purchase securities under prospectus exemptions has significantly increased. Under the offering memorandum exemption in MI 45-103, any person or company can purchase an unlimited number of securities provided that the advice of a registered investment dealer or securities dealer is obtained.

Given the policy change reflected in MI 45-103, we considered whether changes to the term Designated Threshold Purchaser were appropriate. We noted that the protections afforded to purchasers under the offering memorandum exemption in MI 45-103 are generally comparable to those afforded a purchaser under a SFOD. We also noted that because the Blanket Order only provides an exemption from the prospectus requirements (not the registration requirements) all sales under a SFOD must be made through a registered dealer. Accordingly, all purchasers under a SFOD have the protections afforded by involvement of a registered dealer. Given these factors, it no longer appeared necessary to maintain the restrictions that had been provided through the concept of Designated Threshold Purchaser.

**(b) Increase of Threshold Amount**

The term Threshold Amount in Blanket Order 45-503 referred to the greater of 2% of the offering and \$10,000. Apparently, in many cases where the total offering under a SFOD was not subscribed, the calculation of 2% of the offering proved very difficult. Accordingly, the threshold has been changed in Blanket Order 45-507 to a flat dollar amount. \$40,000 was chosen as the new threshold as it represents 2% of \$2,000,000, the maximum amount that a purchaser could purchase under Blanket Order 45-503.

**Summary of Minor Changes**

Certain other drafting improvements and minor changes have been made, as described below.

- (a) We have amended the definition of CDNEX to refer to both the legal name “Canadian Venture Exchange Inc.” and the name under which the exchange carries on business, “TSX Venture Exchange”.
- (b) The definition of “Professional Group” has been removed as it would have been used in only one place in the Blanket Order. The term was used only in the definition of “Designated Hold Purchaser”. The term “Professional Group” is now defined within the definition of Designated Hold Purchaser.
- (c) The definition of “Threshold Amount” has been removed. The term Threshold Amount previously meant the greater of 2% of the offering or \$10,000. The threshold has been increased to \$40,000. However, with the removal of the term “Designated Threshold Purchaser” the term Threshold Amount was used in only one location, section 6.1(b). Accordingly, maintaining a definition of Threshold Amount seemed unnecessary. We have replaced reference to the term Threshold Amount in section 6.1(b) with a reference to \$40,000.
- (d) We have amended various references to sections and Parts of the Act so that they now refer to the new section numbers and Parts.
- (e) Former section 3.1(j) has been removed because, with the removal of the concept of Designated Threshold Purchaser, it is no longer necessary.
- (f) We have clarified in section 3.1(h) that the calculation of outstanding securities must be made immediately prior to the offering. Furthermore, we have clarified the language to indicate that if an issuer has never used a Short Form Offering Document or has not used one in the last 12 months, the calculation of outstanding securities is made immediately prior to the offering, not 12 months earlier.
- (g) Blanket Order 45-503 referred to the SHAIFF Rule. That term was defined to include both prior ASC Rule 45-501 *System for Shorter Hold Periods for Issuers filing an AIF* (“ASC Rule 45-501”) and Multilateral Instrument 45-102 *Resale of Securities* (“MI 45-102”). Since ASC Rule 45-501 has been repealed, Blanket Order 45-507 does not reference the SHAIFF Rule and instead refers only to MI 45-102.

- (h) The resale restrictions imposed by section 6.1 have been simplified by referring directly to section 2.5 of MI 45-102.

**British Columbia Securities Commission and TSX Venture Exchange**

We understand that staff of the British Columbia Securities Commission (“BCSC”) is considering changes to BC Instrument 45-509 *Short form offerings of listed securities and units by qualifying issuers*, which are substantially similar to those described above. Staff of the BCSC has advised that they anticipate a revised BC Instrument will be issued shortly. Refer to the BCSC website at [www.bcsc.bc.ca](http://www.bcsc.bc.ca).

In addition, the TSX Venture Exchange has advised that it intends to shortly publish a revised Policy 4.6 *Public Offering by Short Form Offering Document*. The revised policy will reflect the revised terms under which an offering by SFOD can be conducted. Refer to the Venture Exchange’s website at [www.tse-cdnx.com](http://www.tse-cdnx.com).

**Questions**

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